

Message Text

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FM AMEMBASSY RANGOON

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PASS AGRICULTURE

E.O. 11652: N/A

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SUBJ: GUB RAISES PADDY PRICES, INSTITUTES FORCED DELIVERY SYSTEM

REF: (A) RANGOON A-100; (B) RANGOON 3062, DEC 19, 1972

(BEGIN UNCLASSIFIED) 1. GUB OCTOBER 10 ANNOUNCED SUBSTANTIAL INCREASES IN OFFICIAL PROCUREMENT PRICES OF PADDY, AND INTRODUCED BONUS PRICES FOR SALES OF PADDY OF SUPERIOR QUALITY. PRICE INCREASES ARE APPROXIMATELY 41 PERCENT NOT COUNTING QUALITY BONUSES OF 2 TO 3 PERCENT. FOR EXAMPLE, 100 BASKETS (4600 POUNDS) OF NGASEIN (STANDARD TYPE OF BURMESE PADDY) WILL NOW BE PURCHASED AT K600 (U.S.\$124.65) COMPARED TO LAST YEAR'S GOVERNMENT PRICE (REF B) OF K425 (U.S.\$88.28). IN ADDITION, HIGH-QUALITY PADDY WILL RATE BONUS OF K 15 OR 20 (U.S.\$3.12 - 4.15) PER 100 BASKETS.

2. AT SAME TIME, GUB INSTITUTED SYSTEM OF FORCED DELIVERIES AT FOREGOING PRICES. AMOUNTS WHICH FARMERS ARE REQUIRED TO SELL TO GOVERNMENT VARY UPWARD DEPENDING ON AMOUNT OF LAND WORKED AND ESTIMATED PER-ACRE YIELD, WITH EXACT AMOUNTS TO BE FIXED ON PER-FARM BASIS BY LOCAL ADMINISTRATIVE AUTHORITIES. FOR EXAMPLE, A FARMER WORKING FIVE TO 9.99 ACRES AND GETTING YIELD OF 25 BASKETS
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PER ACRE (1 BASKET EQUALS 46 POUNDS), THE PRESUMED MINIMUM, IS

REQUIRED TO DELIVER THREE BASKETS PER ACRE TO GUB. AT PRESUMED MAXIMUM YIELD OF 38 BASKETS TO ACRE COMPULSORY DELIVERIES AMOUNT TO 15 BASKETS PER ACRE. OVER ALL, PERCENTAGE OF CROP TO BE SOLD TO GOVERNMENT VARIES FROM 8 TO 65 PERCENT, BUT EXCEPT FOR VERY SMALL MINORITY MAXIMUM DELIVERY WILL BE AROUND 30 PERCENT, AND FOR MOST FARMERS IT WILL BE SUBSTANTIALLY LOWER. RICE-DEFICIT TOWNSHIPS ARE EXEMPT FROM FORCED DELIVERIES. GUB DIRECTIVE REAFFIRMS THAT FARMERS ARE FREE TO DISPOSE OF SURPLUS PADDY IN ANY WAY THEY CHOOSE. (END UNCLASSIFIED)

(BEGIN LIMITED OFFICIAL USE) 3. COMMENT: NEW SYSTEM HAS BEEN IN WORKS FOR SOME TIME (SEE REF A). IN VIEW OF SUBSTANTIAL PRICE INCREASE, AND RELATIVELY MODEST LEVEL OF FORCED DELIVERIES, GUB DIRECTIVE SEEMS TO REPRESENT ANOTHER VICTORY FOR MORE PRAGMATIC ELEMENTS OF REGIME AGAINST HARD-LINE LEFTISTS WHO REPORTEDLY WANTED TO COMPEL DELIVERIES OF UP TO 80 PERCENT.

4. ALTHOUGH THIS IS FIRST TIME GUB HAS ATTEMPTED LEGALLY TO COMPEL FARMERS TO DELIVER FIXED AMOUNTS OF PADDY, VARIOUS UNOFFICIAL METHODS OF COERCION HAVE LONG BEEN USED. THEIR LACK OF SUCCESS HAS BEEN APPARENT FOR YEARS, BUT WAS DRAMATICALLY MANGGESTED IN 1972-73 SEASON WHEN POOR CROP AND FARMERS' RELUCTANCE TO SELL AT OFFICIAL PRICES LEFT GUB WITH LESS THAN HALF THE AMOUNT IT HAD HOPED TO BUY, AND NO EXPORTABLE SURPLUS WITH WHICH TO TAKE ADVANTAGE OF RISING WORLD MARKET PRICES. GUB BELIEVES (PERHAPS ERRONEOUSLY) THAT FARMERS DELIBERATELY HELD BACK SURPLUS IN ORDER TO TAKE ADCRNTAGE OF HIGHER OPEN-MARKET PRICES.

5. SUCCESS OF NEW SYSTEM WILL DEPEND LARGELY ON WHETHER (A) GUB IS ABLE TO KEEP PADDY PRICE LEVELS NOT TOO FAR BELOW OPEN-MARKET PRICES, AND (B) EFFECTIVENESS OF LOCAL ADMINISTRATIVE MACHINERY IN FIXING QUOTAS DUE FROM EACH FARMER.
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